

**DEPARTMENT OF THE TREASURY
OPERATING CIRCULAR**

**RESPONSIBILITIES RELATING TO GOVERNMENT INVESTMENT ACCOUNTS
AND
INVESTMENT IN GOVERNMENT ACCOUNT SERIES (GAS)
TREASURY SECURITIES**

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**Chapter 1000
General information**

Section 1010 Purpose.

The purpose of this Operating Circular is to communicate the policies and procedures of the Department of the Treasury regarding those particular government accounts on the books of the Treasury that the Secretary of the Treasury has been authorized or directed by law to invest. These accounts are referred to in this Operating Circular as "government investment accounts." This Operating Circular also describes the responsibilities relating to these government investment accounts that the Department of the Treasury has and that the federal agencies that have programmatic responsibilities for the use of the moneys in these government investment accounts have, respectively. The federal agencies that have programmatic responsibility for the government investment accounts are referred to in this Operating Circular as "program agencies."

Section 1015 Authorities.

Many federal statutes and treaties have established special accounts on the books of the Treasury, generally to serve as accounting devices for tracking the receipts and disbursements of the particular federal programs authorized by the statutes. These statutes and treaties generally require the Secretary of the Treasury to transfer specifically identified moneys into (i.e. to "fund") these specially established government accounts.

Certain of these statutes and treaties authorize, and some others require, the Secretary of the Treasury to invest all or portions of the moneys in the accounts. Many of the statutes authorizing or requiring investment also expressly authorize the Secretary of the Treasury to issue obligations of the United States (i.e. Treasury securities) directly to these government investment accounts as investments. For those government investment accounts whose statutes expressly authorize investment but do not expressly authorize the Secretary of the Treasury to issue obligations of the United States directly to them, chapter 31 of title 31 of the United States Code generally authorizes the Secretary of the Treasury to issue obligations of the United States

and to offer them for sale. Section 3121 of title 31 of the United States Code also authorizes the Secretary of the Treasury to determine the terms and conditions of the offers and the obligations. Under these statutes, the Secretary of the Treasury issues obligations of the United States (i.e. Treasury securities) to the government investment accounts as investments.

Section 3513 of title 31 of the United States Code authorizes the Secretary to develop a coordinated system of accounting and financial reporting, and directs each federal agency to give the Secretary of the Treasury such financial reports and information as the Secretary requires to prepare required financial reports. Several statutes require the Secretary of the Treasury to prepare reports on the financial operations of the United States Government and of particular government investment accounts.

Section 1020 Applicability.

Except as described below in this section, the provisions of this Operating Circular govern:

- (a) the establishment of government investment accounts (see Chapter 2000);
- (b) the funding of government investment accounts (see Chapter 3000);
- (c) the investment by the Department of the Treasury of moneys in government investment accounts (see Chapter 4000);
- (d) the redemption of investments held by government investment accounts (see Chapter 5000);
- (e) the disbursement of moneys from government investment accounts (see Chapter 6000);
- (f) accounting responsibilities relating to government investment accounts (see Chapter 7000); and
- (g) financial reporting responsibilities relating to government investment accounts (see Chapter 8000).

Specifically, the provisions of this Operating Circular governing the establishment of government investment accounts apply to each new government investment account established by legislation enacted after the effective date of this Operating Circular. The provisions of this Operating Circular governing funding, investment and redemption, disbursement, accounting, and financial reporting activities relating to government investment accounts apply to all such activities occurring after the effective date of this Operating Circular. When a program agency submits to the Department of the Treasury, after the effective date of this Operating Circular, an

instruction that the Department invest any moneys in, or redeem any investments held by, a government investment account, that program agency is deemed to agree to all of the provisions of this Operating Circular.

The Department of the Treasury and a program agency for a particular government investment account may agree to supplement or supersede the provisions of this Operating Circular for the account by means of a written memorandum of agreement between the Department and the program agency.

This Operating Circular does not apply to "Treasury-managed government investment accounts." A Treasury-managed government investment account is a government account that has the following three attributes:

- (a) the moneys deposited into the government account are equal to amounts derived, in whole or in part, from federal payroll or excise taxes imposed under the Internal Revenue Code;

- (b) the statute governing the government account provides that the moneys that are to be deposited into the account are to be transferred from the Treasury general fund based on estimates made by the Secretary of the Treasury respecting certain federal taxes received in the Treasury; and

- (c) the statute governing the government account provides that it shall be the duty of the Secretary of the Treasury to invest the amount of moneys in the fund that are not required to meet current withdrawals.

A separate memorandum of agreement between the Department of the Treasury and the program agency for each Treasury-managed government investment account will be developed to communicate the policies and procedures of the Department regarding the account and describe the respective responsibilities of the Department and the program agency relating to the account.

This Operating Circular does not apply to "deposit accounts." A deposit account is a non-budgetary account that records moneys owned by persons or entities other than the United States Government. The Secretary of the Treasury holds the moneys in a deposit account as a banker, fiscal agent, custodian, or trustee for the owner of the moneys, or holds them temporarily until ownership is determined. Generally, a separate memorandum of agreement between the Department of the Treasury and the program agency for a deposit account will be developed to communicate the policies and procedures of the Department regarding the account and describe the respective responsibilities of the Department and the program agency relating to the account.

All government investment accounts other than Treasury-managed government investment accounts and deposit accounts are referred to as "agency-managed government

investment accounts." The provisions of this Operating Circular apply to all agency-managed government investment accounts, except to the extent that the Department of the Treasury and the program agency for an agency-managed government investment account may have agreed in a memorandum of agreement to supplement or supersede the provisions of this Operating Circular for the account.

Section 1025 Definitions.

In this Operating Circular, unless the context indicates otherwise:

Agency Location Code means the two-, four-, or eight-digit symbol assigned by FMS that uniquely identifies each agency that reports receipts and disbursements to FMS. It is similar to a bank account number, and is used by FMS to ensure correct financial reporting. One agency location code may be used to report information for multiple government accounts.

Book-entry security means a security, the issuance and maintenance of which are represented by an accounting entry or electronic record format and not by a certificate.

BPD means the Department's Bureau of the Public Debt.

Business day means any day, other than a Saturday, Sunday or other day on which the Federal Reserve Bank of New York is not open for business.

Department means the United States Department of the Treasury.

Discount means the difference between par and the price (expressed as price per hundred) of the Treasury security, when the price is less than par.

Discount amount means the discount rate divided by 100 and multiplied by the par amount.

Expenditure transfer means a movement of moneys that involves an outlay of budgetary resources from one government account and a receipt or collections to another government account.

FMS means the Department's Financial Management Service.

Government investment account means a government account on the books of the Treasury, moneys in which the Secretary is authorized or required by law to invest.

Inflation-adjusted principal means, for an inflation-indexed Treasury security, the value of the security derived by multiplying the par amount by the applicable "index ratio," as

described in part 356, appendix B, section I, paragraph B of title 31 of the Code of Federal Regulations.

Interest rate means the annual percentage rate of interest paid on the par amount or the inflation-adjusted principal of a specific issue of notes or bonds.

Issue date means the date on which a Treasury security is issued as an obligation of the United States, and from which interest normally begins to accrue.

Marketable Treasury security means a Treasury security that is negotiable and transferable, i.e., may be bought and sold in the secondary market.

Maturity date means the date on which a Treasury security becomes due and payable, and ceases to earn interest.

Non-expenditure transfer means a movement of moneys from that does not involve an outlay but serves only to adjust amounts available in government accounts. Non-expenditure transaction do no appear in Treasury reports or in the budget documents as receipts or expenditures.

OMB means the Office of Management and Budget in the Executive Office of the President.

Outlay means a payment to liquidate an obligation (other than the repayment of principal).

Outstanding, when used with respect to Treasury securities, means, as of the date of determination, all Treasury securities theretofore issued that have not matured, have not been redeemed, repurchased, or delivered to the Secretary for cancellation, or that are not held by the Secretary.

Par means a price of 100.

Par amount means the stated value of a Treasury security at original issuance.

Premium means the difference between par and the price of a Treasury security, when the price is greater than par.

Premium amount means the premium rate divided by 100 and multiplied by the par amount.

Price means the price of a Treasury security as calculated using the formulas in Appendix A to this Operating Circular.

Program agency means, for a government investment account, the federal agency that has programmatic responsibility for the use of moneys in the account.

Reference Index means, for an inflation-indexed security, the index number which is used as the basis for making adjustments to principal amounts that is applicable to a given date.

Secretary means the Secretary of the Treasury.

STRIPS (Separate Trading of Registered Interest and Principal of Securities) means the Department's program under which eligible securities are authorized to be separated into principal and interest components, and transferred separately. These components are maintained in book-entry accounts, and transferred, in the Treasury/Reserve Automated Debt Entry System (TRADES).

TFM means the Treasury Financial Manual.

Treasury security means a Treasury bill, note, bond, or certificate of indebtedness, each as described in this part, and any other obligation issued by the Secretary that is made subject to this part. Treasury security includes an interest or principal component under the STRIPS program.

Treasury special means a Treasury security that is issued directly by the Secretary to a government investment account and that is non-negotiable and non-transferable, i.e., may not be sold in the secondary market, but rather may only be sold back to the Secretary or his designee. Treasury specials are also sometimes referred to as Government Account Series (GAS) Treasury securities.

Warrant means the document that records, on the books of the Department and of the federal agency to which an appropriation is made, the authority of the federal agency to use the amount of funds as specified in an appropriation act by Congress.

Chapter 2000

Responsibilities relating to establishment of government investment accounts

Section 2010 Investment authority.

The Secretary requires legal authority, either from a statute or a treaty, to invest government moneys held in a government account. BPD, as well as other involved offices at the Department's headquarters, will review the statute or treaty authorizing or requiring the Secretary to invest moneys in a government account to ensure that the statute or treaty provides sufficient legal authority for the Secretary, acting through BPD, to make the investments, as well as to determine the permitted investments for the account and any unusual restrictions or requirements that apply to the investments. This review may take place either before or at the time that the program agency requests BPD to establish an account within BPD's investment accounting system, as described in section 2025 of this Operating Circular.

Section 2015 Obtaining an account identification code from OMB for each government investment account.

As is the case with all newly established government accounts, it is the responsibility of the program agency for a new government investment account, upon either presidential approval of congressionally enacted legislation or Senate ratification of a treaty that establishes the account, to contact the agency's OMB representative to obtain an account identification code for the account for purposes of establishing the new account within OMB's computerized budget system. Program agencies should refer to OMB Circular A-11 ("Preparing, Submitting, and Executing the Budget", which may be found at <http://www.whitehouse.gov/omb/circulars/a11/02toc.html>), section 79("The Budget Data System"), particularly section 79.3 ("How do I establish new accounts?") for directions on how to obtain an OMB account identification code for the new account.

Section 2020 Establishing an account for each government investment account within FMS's central accounting and financial reporting system.

As is the case with all newly established government accounts, it is the responsibility of the program agency for a new government investment account, after OMB has assigned an OMB account identification code to the account, to submit a letter to FMS requesting FMS to assign a Treasury account identification code to the new account for purposes of establishing the account within FMS's central accounting and financial reporting system. Program agencies should refer to TFM volume I, part 2 ("Central Accounting and Reporting"), chapter 1500 ("Description of Accounts relating to Financial Operations"), which may be found at <http://www.fms.treas.gov/tfm/vol1/v1p2c150.html>, for directions on how to obtain a Treasury account identification code for the new account. The Treasury account identification code is referred to in the TFM as the "Federal Account Symbol and Title" and in this Operating Circular as the "account symbol" for the account. TFM volume I, part 2, chapter 1500 also includes the address, telephone number, and facsimile number of the branch within FMS to which letters requesting the assignment of a new account symbol are to be sent.

After FMS has assigned an account symbol to a new account, FMS will prepare and send to the program agency for the account a notice that identifies the account symbol that the Department has assigned to the account, the official account title that the Department has

assigned to the account, and the statutory authority for the account. This notice is referred to as a "Treasury Announcement."

If the program agency for a government account will be requesting the Department to invest any moneys in the account, the investment transactions need to be segregated from the normal receipt and expenditure transactions of the account for purposes of FMS's central accounting and financial reporting system. It is the responsibility of the program agency in such circumstances to request FMS to assign a subclass code to the account symbol for the account to capture the investment data beyond the fund level. Program agencies should refer to the TFM volume I, part 2 ("Central Accounting and Reporting"), chapter 3300 ("Reports of Agencies for which the Treasury Disburse"), which may be found at <http://www.fms.treas.gov/tfm/vol1/v1p2c330.txt>, particularly section 3330.20 ("Classification of Special Transactions on FMS Form 224"), for directions on how to request subclass codes to report special transactions such as investments. TFM volume I, part 2, chapter 3300 also includes the address, telephone number, and facsimile number of the branch within FMS to which requests for subclass codes for account symbols are to be sent.

After FMS has assigned a subclass code to the account symbol for an account, FMS will prepare and send to the program agency for the account a notice communicating the subclass code for the account. This notice is referred to as a "Subclassification Authorization."

Section 2025 Establishing an account for each government investment account within BPD's investment accounting system.

After FMS has assigned an account symbol to a new government investment account, it is the responsibility of the program agency for the account to complete and submit to BPD a form requesting BPD to establish the account within BPD's investment accounting system for the new government investment account. The form that the program agency is to complete and submit for this purpose is attached as Exhibit 1 ("Fund Information Form") to this Operating Circular and may be found at <http://www.publicdebt.treas.gov/dfi/dfinewcustomerinfo.htm>. This form also includes the address, telephone number, and facsimile number of the branch within BPD to which the completed forms are to be sent.

When BPD and the other involved Department headquarters offices conclude that the Secretary is authorized or required to invest moneys in the account, as described in section 2010 of this Operating Circular, BPD will establish an account within BPD's investment accounting system for the government investment account that is distinctly identified by the account symbol and title for the account.

If the statute or treaty authorizing or requiring the Secretary to invest moneys in a government investment account also establishes special reporting or accounting requirements for the account, such that BPD's investment accounting system has to be modified or enhanced to accommodate the special reporting or accounting requirements, it is the responsibility of the program agency for the account to work with BPD to establish mutually acceptable arrangements for the modifications or enhancements.

Chapter 3000

Responsibilities relating to funding government investment accounts

Section 3010 Funding government investment accounts from receipts from the public.

Certain statutes authorize program agencies to retain user fees, royalties, fines, penalties, insurance premiums, donations, and other similar receipts to support the federal program that produced the receipts. Operationally, these receipts are frequently collected by the program agencies through a network of depository accounts maintained by the federal government in commercial depository institutions and Federal Reserve Banks throughout the country. Initially, these receipts are deposited into the Treasury general fund and not credited directly into the account of the program agencies. The commercial depository institutions and the Federal Reserve Banks report information on the collections deposited into the Treasury general fund to FMS through FMS's CASH-LINK deposit reporting system. CASH-LINK currently processes the information reported by the commercial depository institutions and the Federal Reserve Banks using Agency Location Codes assigned by FMS to each federal agency.

Program agencies have access to CASH-LINK and may view on a daily basis information on deposits made using their Agency Location Codes. It is the responsibility of the program agency to classify in its internal accounting system the deposits to the appropriate government investment account.

When BPD and the other involved Department headquarter offices conclude that the Secretary is authorized or required by statute or a treaty to invest receipts from the public that have been classified into a particular government account, the program agency for the account may instruct BPD to invest the moneys as provided in Chapter 4000 of this Operating Circular, provided that there is at least \$1,000 in the government investment account and the program agency has certified to BPD that the amount is available to invest.

Section 3015 Funding government investment accounts from congressional appropriations of general revenues.

Certain statutes appropriate general revenues from the Treasury general fund for deposit into special accounts established on the books of the Treasury by the statutes. These special accounts generally serve as accounting devices for tracking the receipts and disbursements of the particular federal programs authorized by the statutes. FMS will review the 13 annual appropriation acts and any supplemental appropriation act enacted by Congress to determine funding requirements approved by Congress. FMS will prepare appropriation warrants to transfer the appropriated moneys from the Treasury general fund to the respective government accounts on the books of the Treasury. When available, FMS will compare the appropriation amounts to OMB information. FMS will enter the amount of the warrants into its central accounting and financial reporting system and will provide a copy of each appropriation warrant to the respective program agency.¹ It is the responsibility of the program agency to record the information in its internal accounting system.

It is also the responsibility of the program agency to identify any other legislation that includes an appropriation for its federal program and notify FMS. In such a case, it is the responsibility of the program agency to submit a letter to FMS requesting an appropriation warrant and citing the legal authority. TFM volume I, part 2, chapter 2000, which may be found at <http://www.fms.treas.gov/tfm/vol1/v1p2c200.html>, includes the address, telephone number, and facsimile number of the branch within FMS to which requests for appropriation warrants are to be sent. FMS will prepare an appropriation warrant to transfer the appropriated moneys, enter the amount of the warrant into its central accounting and financial reporting system, and provide a copy of the warrant to the program agency.² When necessary, OMB and/or the Office of the Chief Counsel of FMS may be contacted for help in determining the amounts and/or timing of an appropriation. Such a coordinated determination is only required in situations where there is disagreement between FMS, OMB, and the agency.

At times Congress by legislation authorizes or requires a movement of moneys from one government account to another. Because such a transfer does not have an impact on the federal budget surplus or deficit and does not involve an outlay of funds from the transferring account, the transfer is referred to in the TFM as a "non-expenditure transfer." (In contrast, a transfer of moneys involving an outlay from one government account within the budget to another government account is classified as an "expenditure transaction.")

It is the responsibility of the program agency for the transferring account to complete and submit to FMS a SF 1151, "Non-expenditure Transfer Authorization" form for each such transfer. Program agencies should refer to the TFM volume I, part 2 ("Central Accounting and Reporting"), chapter 2000 ("Non-expenditure Transactions"), which may be found at <http://www.fms.treas.gov/tfm/vol1/v1p2c200.html>, particularly section 2035.60 ("Preparing and Distributing SF 1151: Non-expenditure Transfer Authorization"), for directions on how to

¹FMS is developing a system under which FMS will post on an FMS government-wide accounting website copies of appropriation warrants, where those copies will be available to the program agencies. This part of this Operating Circular will be revised when that new system is operational.

²See Footnote 1.

complete and submit a SF 1151, "Non-expenditure Transfer Authorization" form. TFM volume I, part 2, chapter 2000 also includes the address, telephone number, and facsimile number of the branch within FMS to which SF 1151, "Non-expenditure Transfer Authorization," forms are to be sent.

A program agency submits a SF 1151, "Non-expenditure Transfer Authorization," to FMS through the Government-Wide Accounting (GWA) system, a web-based front-end interface to FMS's central accounting and financial reporting system. FMS will review the transfer authorization for validity, before certifying the transfer and transmitting the data to its central accounting and financial reporting system for posting to the transferee accounts. A copy of the processed SF 1151 will be transmitted back to, and stored in, the GWA system. The program agency will be able to print a hard copy of the processed SF 1151 for its records from the GWA system. It is the responsibility of the program agency to record the information in its internal accounting system.

Appropriated moneys may not be invested unless there is statutory authority to do so. It is Treasury policy that appropriated moneys will not be invested unless there is a statutory requirement to do so. When BPD and other involved Department headquarter offices conclude that the Secretary is required by statute to invest appropriated moneys deposited into a government account, the program agency for the account may instruct BPD to invest the moneys as provided in Chapter 4000 of this Operating Circular, provided that there is at least \$1,000 in the government investment account and the program agency has certified to BPD that the amount is available to be invested.

Chapter 4000

Responsibilities, procedures, and policies relating to investment of moneys in government investment accounts

Section 4010 Description of Treasury specials.

Treasury specials offered to government investment accounts as investments under this Operating Circular are special-issue non-marketable Treasury securities that are direct obligations of the United States and are offered exclusively in book-entry form. There are two categories of Treasury specials offered under this Operating Circular: (1) "market-based" Treasury specials, and (2) "par-value" Treasury specials.

Section 4015 Description of market-based Treasury specials.

There are two categories of market-based Treasury specials offered under this Operating Circular: (a) "mirror-image" market-based Treasury specials, and (b) "additional" market-based Treasury specials.

(a) Mirror-image market-based Treasury specials. A mirror-image market-based Treasury special is a Treasury security that is identical (except for transferability) to a particular outstanding marketable Treasury security in terms of interest rate, interest payment dates (if any), call dates (if any), and maturity date. Outstanding marketable Treasury securities include the following types of securities:

(1) Treasury bills. Treasury bills are issued at a discount, are redeemed at their par amount at maturity, and have maturities of not more than one year.

(2) Treasury notes.

(A) Treasury fixed-principal notes. Treasury fixed-principal notes are issued with a stated rate of interest to be applied to their par amount, have interest payable semiannually, and are redeemed at their par amount at maturity. They have maturities of at least one year but not more than 10 years.

(B) Treasury inflation-indexed notes. Treasury inflation-indexed notes are issued with a stated rate of interest to be applied to the inflation-adjusted principal on each interest payment date, have interest payable semiannually, and are redeemed at maturity at their inflation-adjusted principal, or at their par amount, whichever is greater. They have maturities of at least one year but not more than 10 years.

(3) Treasury bonds.

(A) Treasury fixed-principal bonds. Treasury fixed-principal bonds are issued with a stated rate of interest to be applied to their par amount, have interest payable semiannually, and are redeemed at their par amount at maturity. They typically have maturities of more than 10 years.

(B) Treasury inflation-indexed bonds. Treasury inflation-indexed bonds are issued with a stated rate of interest to be applied to the inflation-adjusted principal on each interest payment date, have interest payable semiannually, and are redeemed at maturity at their inflation-adjusted principal, or at their par amount, whichever is greater. They typically have maturities of more than 10 years.

(b) Additional market-based Treasury specials. Additional market-based Treasury specials are Treasury securities whose interest rates or prices are determined based on the interest rates or prices of Treasury-related financial instruments issued or trading in the market, rather than on the interest rates or prices of outstanding marketable Treasury securities. The additional market-based Treasury specials include the following types of Treasury securities:

(1) Treasury overnight certificates of indebtedness. Treasury overnight certificates of indebtedness are issued with a stated rate of interest to be applied to their

par amount, mature on the business day immediately following their issue date, are redeemed at their par amount at maturity, and have interest payable at maturity.

(2) Treasury zero-coupon bonds. Treasury zero-coupon bonds are Treasury fixed-principal bonds having maturities of at least 5 years and on dates that coincide with the maturity dates of a marketable STRIPS security, are issued at a discount, and are redeemed at their par amount at maturity.³

Section 4020 Description of par-value Treasury specials.

A par-value Treasury special offered under this Operating Circular is a Treasury special issued with a stated rate of interest applied to its par amount and is purchased at par and redeemed at par plus accrued interest at or before maturity. The interest rate on these par-value specials is determined by the Department according to the particular formula specified in the particular statute that authorizes the issuance of such securities.⁴ Interest on par-value Treasury specials is payable on June 30, December 31, and at maturity or redemption.

Section 4025 Delegation of the Secretary's investment responsibilities to BPD.

The Secretary has delegated to BPD the Secretary's responsibilities for investing moneys in a government investment account.

³ As described in section 4040, a Treasury special zero-coupon bond will only be offered to a government investment account when the program agency for the account has entered into a written memorandum of agreement with BPD.

⁴ As described in section 4060, it is Treasury policy that unless the statute governing the investment of moneys in a government investment account requires or establishes an explicit presumption in favor of investment in par-value Treasury specials, the moneys in the account are to be invested in market-based Treasury specials.

Section 4030 Responsibilities relating to the development of an investment strategy for a government investment account.

It is the responsibility of the program agency for a government investment account to develop a strategy for investing moneys in the account that are not required to meet the current needs of the federal program being financed through the account. This responsibility is the program agency's because the program agency for a government investment account is generally in the best position to estimate the disbursement needs of the federal program being financed through the account. In developing the investment strategy, the program agency should practice a "buy and hold" policy. The program agency should, not less frequently than annually, estimate the timing and amounts of disbursements of the federal program over the following year, and develop a strategy for purchasing Treasury specials in principal amounts and having maturities that approximately coincide with those disbursement estimates (e.g., market-based Treasury special bills for short-term disbursing needs; market-based Treasury special notes and bonds for longer-term disbursing needs).

Section 4035 Responsibilities relating to the determination of the amount in a government investment account that is available to be invested, and the determination of the amount that is to be invested.

A program agency for a government investment account may only invest moneys in the account that are available to be invested. Moneys are available to be invested when they have been credited to the Treasury general fund and are available for use by the Department. Program agencies generally may consider funds available on the day of deposit when the deposit was made by Fedwire or Automated Clearing House (ACH) through the Treasury Lockbox Network. When the program agency deposits funds into a Treasury account at a commercial financial institution designated by the Department as a depository institution or at a Federal Reserve Bank, and the program agency uses an SF 215, "Deposit Ticket," funds generally are available two days after the date of deposit. Program agencies should refer to the TFM Bulletin 94-07, which may be found at <http://www.fms.treas.gov/tfm/vol1/94-07.TXT>, for more information about the availability of deposited funds.

Amounts in a government investment account may be invested provided that there is at least \$1,000 available in the account. It is the responsibility of the program agency for a government investment account to determine the amount of moneys in the account that is available for investment. This responsibility is the program agency's because only the program agency, not the Department, knows precisely what the day-to-day cash balance of the particular government investment account is.

Many statutes that establish government investment accounts specify that it is the responsibility of the program agency for the account to determine the amount of moneys in the account that are not required to meet the current needs of the federal program being financed through the account and instruct an investment of that amount. When a statute that establishes a particular government investment account does not specify who is to determine the amount that is in excess to the program's needs, it is the responsibility of the program agency under this

Operating Circular to determine the amount that is excess to the program's needs and instruct an investment of that amount. Even when a statute that establishes a particular government investment account provides that it is the Secretary of the Treasury who is to determine the amount that is excess to the program's needs, it will nevertheless be the responsibility of the program agency under this Operating Circular to determine the amount that is excess to the program's needs and instruct an investment of that amount. This responsibility is the program agency's because the program agency is in a better position than the Department to estimate what the receipts and disbursements of the federal program are likely to be, and only the program agency, not the Department, knows precisely what the day-to-day cash balance of the particular government investment account is.

Section 4040 Responsibilities and limitations relating to the selection of the investment securities.

It is the responsibility of the program agency for a government investment account to select the particular Treasury specials in which moneys in the account are to be invested. Generally, the program agency should select Treasury specials in principal amounts and having maturities that are consistent with the investment strategy that the program agency developed for the account.

For purposes of investing in market-based Treasury specials, program agencies may determine what marketable Treasury securities are outstanding and available to be matched by BPD through the financial pages of newspapers and other financial news media, and on-line connections to investment banking firms. Agencies can obtain prices for market-based Treasury specials from BPD's website at www.publicdebt.treas.gov/dfi/dfifibprice.htm or through the www.FedInvest.gov website.

Program agencies that wish BPD to invest in a market-based Treasury special bill may select any outstanding marketable Treasury bill that has one or more weeks remaining to maturity, and BPD will issue a Treasury special bill that is identical (except for transferability) to the selected marketable Treasury bill in terms of discount rate and maturity date.

Program agencies that wish BPD to invest in a market-based Treasury special note or bond may select any outstanding marketable Treasury note or bond (fixed principal or inflation-indexed) that has six or more months remaining to maturity, and BPD will issue a Treasury special note or bond that is identical (except for transferability) to the selected marketable Treasury note or bond in terms of interest rate, interest payment dates, call dates (if any), and maturity date.

Program agencies may select a marketable Treasury bill, note, or bond that has been auctioned by the Department but not yet issued (i.e. a "when-issued" marketable security), and BPD will issue a Treasury special that is identical (except for transferability) to the selected when-issued marketable Treasury security on the date that the selected when-issued marketable security is issued.

Program agencies may instruct BPD to invest in market-based Treasury special overnight certificates of indebtedness at any time up until the 3:00 p.m. (Eastern Time) deadline for submitting instructions for investment in Treasury specials described in section 4045 of this Operating Circular.

A Treasury special zero-coupon bond will only be offered to a government investment account when the program agency for the account has previously entered into a written memorandum of agreement with BPD that sets terms, as discussed below, and contains the program agency's agreement to pay a fee (adjusted annually) to the Department to cover the cost of establishing and maintaining a portfolio of investments in Treasury special zero-coupon bonds.⁵ Generally, program agencies that wish BPD to invest in a market-based Treasury special zero-coupon bond may select any outstanding marketable Treasury STRIPS interest or principal component that has five or more years remaining to maturity and of which at least \$1 billion is outstanding, and BPD will issue a Treasury special zero-coupon bond that is identical (except for transferability) to the selected marketable Treasury STRIPS interest or principal component in terms of maturity date. Program agencies may instruct BPD to invest in Treasury special zero-coupon bonds only in face amounts of at least \$50 million, and in increments of \$5 million face amount above \$50 million. Additional amounts of a Treasury special zero-coupon bond will be offered provided that the minimum maturity and minimum incremental face amount requirements are met at the time that the additional amount is to be purchased. Program agencies may not instruct BPD to invest in more than five Treasury special zero-coupon bonds on any one business day. Once received by BPD, an investment instruction for a Treasury special zero-coupon bond is binding.

Program agencies may instruct BPD to invest in a par-value Treasury special only when the particular statute governing the government investment account requires or establishes an explicit presumption in favor of investment in par-value Treasury specials.

Section 4045 Responsibilities and procedures relating to investment instructions.

BPD will invest moneys in a government investment account by issuing Treasury specials to that account only pursuant to investment instructions received by BPD from the program agency for the account. Currently, program agencies can use one of two methods to submit investment instructions to BPD: the submission of a paper instruction form by facsimile transmission; or, for enrolled program agencies, use of the Internet-based FedInvest application, as described in Appendix A.

The paper form that the program agency is to complete and submit for this purpose is attached as Exhibit 2 ("Investment/Redemption Instruction") to this Operating Circular and may be found at <http://www.publicdebt.treas.gov/dfi/dfinewcustomerinfo.htm>. It is the responsibility of the program agency to complete the "Investment/Redemption Instruction" form by specifying

⁵ Fees covered by the memorandum of understanding will be comparable to fees charged other government agencies for comparable investment activity.

the amount of moneys to be invested, the date on which the moneys are to be invested, and the particular Treasury special(s) in which the moneys are to be invested. It is also the responsibility of the program agency to ensure that the person signing the "Investment/Redemption Instruction" form and certifying as to the availability of moneys in the account for investment is an official of the program agency who is authorized to sign and submit to BPD investment and redemption instructions on behalf of the program agency and certify as to availability of moneys in a government investment account for investment.

The "Investment/Redemption Instruction" form includes the address, telephone number, and facsimile number of the branch within BPD to which the forms are to be sent. Program agencies may adapt the standard "Investment/Redemption Instruction" form to meet individual agency needs, subject to BPD's prior approval.

It is the responsibility of the program agency to submit each "Investment/Redemption Instruction" form to BPD by facsimile transmission, and it is the responsibility of the program agency to ensure that each "Investment/Redemption Instruction" form submitted to BPD has been received by BPD. If a program agency attempts to submit an "Investment/Redemption Instruction" form to BPD by facsimile transmission, and BPD fails to receive the transmission for any reason by the daily deadline for receipt of investment or redemption instructions, the investment will not be made.

Generally, the "Investment/Redemption Instruction" form specifying an investment in a market-based Treasury special or a par-value Treasury special must be received by BPD no later than 3:00 p.m. (Eastern Time) on the date of the intended investment for the investment to be made. Instructions to invest in Treasury special zero coupon bonds or inflation indexed notes or bonds must be received by 11:00 a.m. Investment instructions received after these deadlines will be processed the following business day, with that following business day's effective date. Transactions will not be backdated.

BPD also offers an Internet-based application (FedInvest) for submitting investment instructions for mirror-image market-based Treasury specials and overnight certificates of indebtedness. A short description of the FedInvest application is provided in Appendix A. As with the "Investment/Redemption Instruction" form, it is the responsibility of the program agency to specify the amount of moneys to be invested, the date on which the moneys are to be invested, and the particular Treasury special(s) in which the moneys are to be invested. It is also the responsibility of the program agency to ensure that the person submitting the investment instruction through the FedInvest application is an official of the program agency who is authorized to submit to BPD investment and redemption instructions on behalf of the program agency and certify as to availability of moneys in a government investment account for investment.

The investment instruction submitted through the FedInvest application specifying an investment in mirror-image, market-based Treasury specials or overnight certificates of indebtedness must be received by BPD no later than 3:00 p.m. (Eastern Time) on the date of the intended investment for the investment to be made. FedInvest also allows instructions for future

dated transactions to be input 10 days in advance of the effective dates for the transactions. Complete instructions for using the FedInvest application are available in the users guide that may be found at <http://www.fedinvest.gov/dfi/dfifederalinvestmentsmain.htm>.

When the government securities market is closed, no investments in market-based Treasury specials will be processed. Treasury special overnight certificates of indebtedness purchased on the last business day before a day on which the government securities market is closed will mature on the first following business day on which the government securities market is open. If a program agency receives new deposits when the government securities market is closed, the program agency may invest the amounts in an overnight certificate of indebtedness that matures the following business day and accrues interest at the rate of interest in effect for the last preceding business day.

If the government securities market is open on a federal holiday, BPD will be open to receive investment instructions from those program agencies that are open and desire to invest funds. Program agencies desiring to invest funds on such days will follow the same operating procedures and deadlines unless notified otherwise by BPD.

BPD will post confirmations of investments made on a federal holiday on the first business day following the federal holiday.

When part of the federal government is closed due to inclement weather or other reasons that cause a temporary business closure, BPD will generally be open to conduct business for federal investment customers. However, if BPD is unable to process a timely received instruction on a particular date due to a temporary business closure of its office, BPD will effect the transaction as of the date of the closure.

Program agencies should establish contingency procedures for conducting investment transactions with BPD in the event that their offices are temporarily closed due to local conditions. Program agencies are strongly encouraged to share such contingency plans with BPD.

Section 4050 Pricing investments in Treasury specials.

On a daily basis, the Department's Office of Market Finance determines the purchase prices for all outstanding eligible⁶ marketable Treasury securities in accordance with the principles described in Appendix B, and provides an electronic file of those purchase prices to BPD by approximately 1:00 p.m. (Eastern Time). For program agencies that have requested to invest in Treasury special zero coupon bonds or inflation indexed notes or bonds by 11:00 a.m., BPD will request purchase price information for those securities from the Department's Office of

⁶ "Eligible" marketable Treasury securities excludes Treasury bills that have less than one week remaining to maturity, Treasury notes and bonds that have less than six months remaining to maturity, and Treasury STRIPS interest and principal components that have less than five years remaining to maturity.

Market Finance. The Department's Office of Market Finance will determine the purchase prices for Treasury special zero coupon bonds and inflation indexed notes and bonds in accordance with the principles described in Appendix B and will send the requested pricing information to BPD by approximately 1:00 p.m. BPD will use these prices for received investment instructions and will post the current day's prices to its website as soon as the pricing is available, generally around 1:00 p.m. (Eastern Time). Prices may be viewed at www.publicdebt.treas.gov/dfi/dfifibprice.htm.

The purchase price for an investment in a par-value Treasury special is the face amount of the security (par).⁷ If the statute that authorizes the issuance of a par-value Treasury special to a particular government investment account specifies that the interest rate that will apply to the par-value Treasury special is to be determined based on the market yield on outstanding marketable Treasury securities, the Department's Office of Market Finance will determine the interest rate according to the formula prescribed in the statute. If the statute that authorizes the issuance of a par-value Treasury special to a particular government investment account specifies that the interest rate that will apply to the par-value Treasury special is to be determined based on the interest rates borne by outstanding marketable Treasury securities, BPD will determine the interest rate according to the formula prescribed in the statute.

Section 4055 Investment confirmations.

BPD will post at <http://www.publicdebt.treas.gov/dfi/dfifibconfirmations.htm> a confirmation of each completed investment transaction. The confirmation will generally be posted before 4:30 p.m. (Eastern Time) on the day of the transaction. The confirmation of an investment in a market-based Treasury special will also include information on any discount or premium associated with the purchase price for the security.

Section 4060 Policies governing investment of moneys in government investment accounts.

When a program agency submits an investment instruction as provided in section 4045 of this Operating Circular, the program agency agrees to the following policies generally applicable to all investments by the Department of moneys in government investment accounts:

(a) Moneys in a government account may only be invested through BPD when the statute or treaty governing the account authorizes or requires the Secretary of the Treasury to invest moneys in the account.

(b) Moneys in a government investment account derived from the congressional appropriations process (i.e. appropriated moneys) may not be invested unless the statute

⁷ As described in section 4060, unless the statute governing the investment of moneys in a government investment account requires or explicitly establishes a presumption in favor of investment in par-value Treasury specials, the moneys in the account are to be invested in market-based Treasury specials.

governing the account requires the Secretary of the Treasury to invest the appropriated moneys.

(c) Only available moneys may be invested. Moneys are available to be invested when they have been credited to the Treasury general fund and are available to the Department.

(d) Moneys in a government investment account that are to be invested through BPD may only be invested in Treasury specials.

(e) Unless the statute governing the investment of moneys in a government investment account requires or establishes an explicit presumption in favor of investment in par-value Treasury specials, the moneys in the account are to be invested in market-based Treasury specials.

(f) A program agency for a government investment account shall, to the best of its ability, develop its investment strategy so to select investments having maturities suitable to the cash disbursement needs of the program being financed through the account. The principal amounts and maturities of investments should be selected to coincide approximately with the program agency's disbursement estimates, so that the investments may be bought and held to their maturities.

(g) A program agency for a government investment account shall not engage in investment practices that result in windfall gains and losses, including but not limited to security day-trading and large restructuring of investment portfolios to take advantage of short-term interest rate fluctuations.

(h) If a program agency for a government investment account has lawful authority to borrow from either the Department or the Federal Financing Bank, generally the program agency will not be allowed to borrow while the account holds investments.

Chapter 5000

Responsibilities and procedures relating to redemptions of investments held in government investment accounts

Section 5010 Redemptions at maturity

BPD will automatically redeem a Treasury special held in a government investment account on the maturity date of the Treasury special. If the program agency for the government investment account wishes all or a portion of the redemption proceeds of the maturing Treasury special to be reinvested, it is the responsibility of the program agency to complete and submit a new "Investment/Redemption Instruction" form as provided in section 4045 of this Operating Circular. If BPD does not receive a new "Investment/Redemption Instruction" form instructing reinvestment of all or a portion of the redemption proceeds, BPD will credit to the government investment account the proceeds from the automatic redemption of the maturing Treasury special, together with earned interest, on the maturity date. The redemption proceeds from market-based Treasury specials maturing on a day other than a business day will be credited to the government investment account on the following business day. The redemption proceeds from par-value Treasury specials maturing on a non-business day will be credited to the investment account as of the maturity date.

Section 5015 Responsibilities relating to the determination of the amount of investments held in a government investment account that are to be redeemed before their maturities.

It is the responsibility of the program agency for a government investment account to evaluate continuously the disbursement needs of the federal program that is being financed through the government investment account. The program agency should practice a "buy and hold" investment strategy so that the program's disbursement needs will be met satisfactorily through the automatic redemption of Treasury specials at their maturities. However if those needs are not met through the automatic redemption of Treasury specials at their maturities, the program agency may need to instruct BPD to redeem one or more Treasury specials held in the government investment account before its maturity.

It is the responsibility of the program agency to determine the amount of Treasury specials held in the government investment account that are to be redeemed before their maturities. This responsibility is the program agency's because the program agency is in a better position than the Department to estimate what the receipts and disbursements of the federal program are likely to be, and only the program agency, not the Department, knows precisely what the day-to-day cash balance of the particular government investment account is.

Section 5020 Responsibilities and limitations relating to the selection of the investment securities to be redeemed before their maturities.

For government investment accounts invested in market-based Treasury specials, if the program agency for the account concludes that one or more of the Treasury specials held in the account needs to be redeemed before its maturity to meet the disbursement needs of the federal program, it is the responsibility of the program agency to select and specify to BPD the particular market-based Treasury specials to be redeemed and the dollar amount of Treasury specials that are to be redeemed.

If the program agency specifies for redemption market-based Treasury specials having the same maturity and not all of those specials are to be redeemed, BPD will generally redeem the market-based Treasury specials having the same maturity date in the order of their issue dates, with the earliest issue date first. However, BPD will redeem other than the earliest issue date security if required by the investing program agency.

Program agencies may not instruct BPD to redeem before maturity a market-based Treasury special bill, note, or bond (including zero-coupon bond) held in a government investment account before the close of the third business day after the day on which the Treasury special was issued to the account as an investment.

Program agencies may instruct BPD to redeem before maturity a portion of a Treasury special zero-coupon bond held in a government investment account, but the portion may not be less than \$5 million in face amount. If a redemption request would reduce the remaining face amount of the specified Treasury special zero-coupon bond to less than \$50 million, the entire zero-coupon bond will be redeemed. Program agencies may not instruct BPD to redeem before maturity more than five Treasury special zero-coupon bonds on any one business day. Once received by BPD, a redemption instruction for a Treasury special zero-coupon bond is binding.

For government investment accounts invested in par-value Treasury specials, if the program agency for the account concludes that one or more securities held in the account needs to be redeemed before its maturity to meet the disbursement needs of the federal program, the program agency must specify in its redemption instruction submitted to BPD only the dollar amount of funding that is needed.

Upon receipt of a properly completed and submitted instruction to redeem before maturity a specified dollar amount of par-value Treasury specials held in a government investment account, BPD will redeem par-value Treasury specials up to the specified dollar amount in the following order:

- (a) BPD will redeem par-value Treasury specials with the earliest maturities first;
- (b) among such securities with the same maturity, BPD will redeem the par-value Treasury special with the lowest interest rate first; and
- (c) among such securities with the same maturity and interest rate, BPD will redeem the par-value Treasury special with the earliest issue date first.

Section 5025 Responsibilities and procedures relating to redemption instructions.

BPD will redeem before maturity securities held in a government investment account only pursuant to redemption instructions received by BPD from the program agency for the account. Currently, program agencies can use one of two methods to submit redemption instructions to BPD: the submission of a paper instruction form by facsimile transmission; or, for enrolled program agencies, use of the Internet-based FedInvest application, as described in Appendix A.

The paper form that the program agency is to complete and submit for this purpose is the same form that is used for instructing investments, i.e. the form that is attached as Exhibit 2 ("Investment/Redemption Instruction") to this Operating Circular and may be found at <http://www.publicdebt.treas.gov/dfi/dfinewcustomerinfo.htm>. It is the responsibility of the program agency to complete the "Investment/Redemption Instruction" form by specifying: (a) for government investment accounts invested in market-based Treasury specials, the particular market-based Treasury specials that are to be redeemed and the amount needed, or face amount of Treasury specials that are to be redeemed; (b) for government investment accounts invested in par-value Treasury specials, the dollar amount of Treasury specials that are to be redeemed; and (c) for all accounts, the date on which the Treasury specials are to be redeemed. It is also the responsibility of the program agency to ensure that the person signing the "Investment/Redemption Instruction" form is an official of the program agency who is authorized to sign and submit redemption instructions on behalf of the program agency.

The "Investment/Redemption Instruction" form includes the address, telephone number, and facsimile number of the branch within BPD to which the forms are to be sent. Agencies may adapt the standard "Investment/Redemption Instruction" form to meet individual agency needs, subject to BPD's prior approval.

It is the responsibility of the program agency to submit each "Investment/Redemption Instruction" form to BPD by facsimile transmission and it is the responsibility of the program agency to ensure that each "Investment/Redemption Instruction" form submitted to BPD has been received by BPD. If a program agency attempts to submit an "Investment/Redemption Instruction" form to BPD by facsimile transmission, and BPD fails to receive the transmission for any reason by the daily deadline for receipt of redemption instructions, the redemption will not be made until the following business day.

The "Investment/Redemption Instruction" form specifying a redemption of a market-based Treasury special or a par-value Treasury special must be received by BPD no later than 3:00 p.m. (Eastern Time) on the date of the intended redemption for the redemption to be made. Instructions to redeem Treasury special zero coupon bonds or inflation indexed notes or bonds must be received by 11:00 a.m.

BPD also offers an Internet-based application (FedInvest) for submitting redemption instructions for mirror-image market-based Treasury specials and overnight certificates of indebtedness. A short description of the FedInvest application is provided in Appendix A. As

with the “Investment/Redemption Instruction” form, it is the responsibility of the program agency to specify the particular market-based Treasury specials that are to be redeemed and the amount needed, or face amount of Treasury specials that are to be redeemed and the date on which the Treasury specials are to be redeemed. It is also the responsibility of the program agency to ensure that the person submitting the redemption instruction through the FedInvest application is an official of the program agency who is authorized to submit to BPD redemption instructions on behalf of the program agency.

The redemption instruction submitted through the FedInvest application specifying a redemption of mirror-image market-based Treasury specials or overnight certificates of indebtedness must be received by BPD no later than 3:00 p.m. (Eastern Time) on the date of the intended redemption for the redemption to be made. FedInvest also allows instructions for future dated transactions to be input 10 days in advance of the effective dates for the transactions. Complete instructions for using the FedInvest application are available in the users guide that may be found at <http://www.fedinvest.gov/dfi/dfifederalinvestmentsmain.htm>.

Section 5030 Pricing redemptions before maturity of Treasury specials.

On a daily basis, the Department's Office of Market Finance determines the redemption prices for all outstanding marketable Treasury securities in accordance with the principles described in Appendix B, and provides an electronic file of those redemption prices to BPD by approximately 1:00 p.m. (Eastern Time). For program agencies that have requested to redeem Treasury special zero coupon bonds or inflation indexed notes or bonds by 11:00 a.m., BPD will request redemption price information for those Treasury specials from the Department's Office of Market Finance. The Department's Office of Market Finance will determine the redemption prices for Treasury special zero coupon bonds and inflation indexed notes and bonds in accordance with the principles described in Appendix B and will send the requested pricing information to BPD by approximately 1:00 p.m. BPD will use these prices for received redemption instructions and will post the current day's prices to its website as soon as the pricing is available, generally around 1:00 p.m. (Eastern Time). Prices may be viewed at www.publicdebt.treas.gov/dfi/dfifibprice.htm.

The redemption price for a par-value Treasury special is the face amount of the security (par).

Section 5035 Redemption confirmations.

BPD will post at <http://www.publicdebt.treas.gov/dfi/dfifibconfirmations.htm> a confirmation of each completed redemption transaction. The confirmation will be posted before 4:30 p.m. (Eastern Time) on the day of the transaction. The confirmation will specify the amount of proceeds from the redemption that have been credited to the government investment account, together with the amount of earned interest that has been credited to the account. The confirmation of the redemption of a market-based Treasury special will also include information on any discount or premium associated with the redemption price for the security.

Chapter 6000

Responsibilities relating to disbursement of moneys from government investment accounts

Section 6010 Policy governing disbursement of moneys from government investment accounts.

When a program agency plans to disburse moneys from a government investment account and the moneys in the account are invested in Treasury specials, the program agency must redeem securities in an amount sufficient to produce a cash balance in its account at least equal to the amount planned to be disbursed before making the disbursement.

Section 6015 Guidance on disbursement requirements.

Program agencies should refer to the TFM volume I, part 4 ("Disbursing"), which may be found at <http://www.fms.treas.gov/tfm/vol1/toc.html>, for guidance on requirements that apply to making payments of money by check or electronic funds transfer from all government accounts, including government investment accounts. TFM volume I, part 4, also includes the address, telephone number, and facsimile number of the branch within FMS to which questions on disbursements may be addressed.

Chapter 7000

Accounting responsibilities relating to government investment accounts

Section 7010 Accounting requirements.

Provisions of chapter 35 of title 31 of the United States Code require executive agencies, which include program agencies for government investment accounts, to, among other things: establish and maintain systems of accounts and internal controls; implement and maintain financial management systems that comply substantially with applicable federal accounting standards and the United States Government Standard General Ledger at the transaction level; prepare financial statements covering all accounts and associated activities; and have the financial statements audited. If the program agency is a government corporation, section 9105 of title 31 of the United States Code requires the program agency to, among other things, prepare financial statements covering all accounts and associated activities and have the financial statements audited.

Section 7015 BPD monthly Account Statements.

BPD will post at <http://www.publicdebt.treas.gov/dfi/dfifederalinvestreports.htm> a monthly Account Statement for each government investment account that has been invested in, has had redeemed, or holds any Treasury specials during the month. The monthly Account Statement will be posted on the first business day of the month after the month in which the account activity occurred. The monthly Account Statement will specify the current security holdings as of the end of the month and all transaction activity during the month, including investments, redemptions, and interest credits.

It is the responsibility of the program agency for a government investment account to use the monthly Account Statement in preparation and submission of monthly Statements of Transactions or Statements of Accountability to FMS, as described in section 7020 of this Operating Circular, and in its reconciliation processes, as described in section 7025 of this Operating Circular.

Section 7020 Program agency Statements of Transactions or Statements of Accountability.

Section 3513 of title 31 of the United States Code requires each executive agency to furnish the Secretary of the Treasury reports and information about its financial condition and operations if requested by the Secretary. FMS requires all federal agencies (i.e. all federal executive-, legislative-, and judicial-branch agencies and all federal government corporations) to report all receipt and disbursement activity of the agency. Federal agencies for which the Department makes disbursements must use Standard Form (SF) 224 "Statement of Transactions;" federal agencies that make their own disbursements must use SF 1219/1220 "Statement of Accountability/Statement of Transactions."

As is the case with all federal agencies for which the Department makes disbursements, the program agency for a government investment account for which the Department makes disbursements is responsible for reporting all receipts and disbursements of the account by preparing and submitting to FMS an FMS Form 224, "Statement of Transactions," at the close of each accounting month. Program agencies should refer to the TFM volume I, part 2 ("Central Accounting and Reporting"), chapter 3300 ("Reports of Agencies for which the Treasury Disburses"), which may be found at <http://www.fms.treas.gov/tfm/vol1/v1p2c330.txt>, for directions on how to prepare and submit the monthly FMS Form 224 reporting receipt and disbursement activity. TFM volume I, part 2, chapter 3300 also includes the address, telephone number, and facsimile number of the branch within FMS to which the completed forms are to be sent and to which questions may be addressed.

In addition, it is the responsibility of the program agency for a government investment account to report to FMS all investment, redemption, and interest credit activity of the account. BPD makes daily transaction confirmations and monthly Account Statements available to program agencies to ensure that program agency and FMS reports of principal and interest are consistent. Program agencies should use the principal, premium, discount, inflation compensation, and interest information from BPD provided in these transaction confirmations

and Account Statements in preparing the monthly FMS Form 224 for submission to FMS. Program agencies should refer to the TFM volume I, part 2 ("Central Accounting and Reporting"), chapter 4300 ("Reporting Instructions for Accounts Invested in Department of the Treasury Securities"), which may be found at <http://www.fms.treas.gov/tfm/vol1/v1p2c430.html>, for directions on how to report to FMS principal, premium, discount, inflation compensation, and interest earnings on the monthly FMS Form 224. TFM volume I, part 2, chapter 4300 also includes the address, telephone number, and facsimile number of the branch within BPD to which questions may be addressed.

As is the case with all federal agencies that make their own disbursements, the program agency for a government investment account that makes its own disbursements is responsible for reporting all receipts and disbursements of the account by preparing and submitting to FMS an FMS Form 1219, "Statement of Accountability," and an FMS Form 1220, "Statement of Transactions According to Appropriations, Funds, and Receipt Accounts," at the close of each accounting month. Program agencies should refer to the TFM volume I, part 2 ("Central Accounting and Reporting"), chapter 3100 ("Instructions for Disbursing Officers' Reports"), which may be found at <http://www.fms.treas.gov/tfm/vol1/v1p2c310.txt>, for directions on how to prepare and submit the monthly FMS Form 1219 and FMS Form 1220 reporting receipt and disbursement activity. TFM volume I, part 2, chapter 3100 also includes the address, telephone number, and facsimile number of the branch within FMS to which the completed forms are to be sent and to which questions may be addressed.

Section 7025 Program agency reconciliation responsibilities.

To ensure the integrity and accuracy of the financial reports and information that FMS obtains from executive agencies, the Department requires agencies, including program agencies for government investment accounts, to reconcile data on the fund balances they maintain in the Treasury on a regular and recurring basis.

FMS posts appropriation warrants, non-expenditure transfers, and all information obtained by FMS from the program agency's monthly Statement of Transactions or Statement of Accountability to the appropriate account in FMS's central accounting and financial reporting system. FMS provides the program agency with FMS's updated data on a monthly basis about the fund balance the program agency maintains in the Treasury through its Government On-line Accounting Link System II (GOALS II).

It is the responsibility of the program agency for a government investment account to post all account activity transactions that are reported to FMS to a corresponding account in the agency's internal accounting system. It is also the responsibility of the program agency to reconcile its internal account balances with corresponding account balances in FMS's central accounting and financial reporting system.

To assist the program agencies in their reconciliations, FMS's central accounting and financial reporting system will compare the account information that it obtains from the program agency's monthly Statement of Transaction or Statement of Accountability to information

reported by other entities, including BPD, Federal Reserve Banks, financial institutions that the Department has designated as depositories, and Regional Finance Centers. FMS will post an SF 6652, "Statement of Difference," on its GOALS website for each agency every month. In the case where no differences in the information exists, FMS will post a "No Activity" SF 6652.

Before logging into GOALS to access monthly statements, program agencies must obtain an identification number and password from FMS. To obtain instructions for access to the GOALS website, contact the GOALS administrator through the following website:

www.fms.treas.gov/goals/index.html.

Program agencies should refer to the TFM volume I, part 2 ("Central Accounting and Reporting"), chapter 5100 ("Reconciling Fund Balance with Treasury Accounts"), which may be found at <http://www.fms.treas.gov/tfm/vol1/v1p2c510.html>, for guidance on how to reconcile their internal account balances with account balances in FMS's central accounting and financial reporting system. TFM volume I, part 2, chapter 5100 also includes the address, telephone number, and facsimile number of the branch within FMS to which questions on account reconciliation may be addressed.

Program agencies are also required to reconcile intra-governmental transactions. OMB requires agencies that invest through BPD to reconcile information on their investments, including interest revenue and expenses, and amortization of premiums and discounts on investments, with BPD. Following the close of each fiscal quarter, BPD posts account activity transactions and balances of government investment accounts to the Intra-governmental Fiduciary Confirmation System (IFCS). It is the responsibility of the program agency for a government investment account to use the IFCS to reconcile and confirm year-end account balances, and each program agency is required to reconcile quarterly.

Additional guidance on reporting and reconciliation of information on government investment accounts can be found in the following publications:

OMB Bulletin 01-09 ("Form and Content of Agency Financial Statements,"), which may be found at <http://www.whitehouse.gov/omb/bulletins/b01-09.html> , particularly section 11.3 ("Intragovernmental Amounts");

"Federal Intragovernmental Transactions Accounting Policies Guide," which may be found at <http://www.fms.treas.gov/cfs/dev/finalguide.doc> ; and

OMB Memorandum M- 03-01 "Business Rules for Intragovernmental Transactions," (October 4, 2002) which may be found at <http://www.whitehouse.gov/omb/memoranda/m03-01.html>.

Chapter 8000

Reporting responsibilities relating to government investment accounts

Section 8010 The Department's general reports.

Section 3513 of title 31 of the United States Code requires the Secretary of the Treasury to prepare reports that will inform the President, Congress, and the public on the financial operations of the United States Government. In fulfillment of this mandate, FMS publishes the Monthly Treasury Statement of Receipts and Outlays of the United States Government, the quarterly Treasury Bulletin, and the annual Financial Report of the United States Government. In addition, BPD publishes the Monthly Statement of the Public Debt and the annual Schedule of Federal Debt.

Section 8015 Responsibilities relating to specific reporting requirements.

Various statutes require the Secretary of the Treasury to report annually to Congress on the financial condition and operations during the preceding fiscal year of particular government investment accounts and on the expected conditions and operations of these accounts during a specified number of years in the future.

In fulfillment of the mandate for publishing information on the financial condition and operations of the particular government investment accounts during preceding fiscal year, FMS will compile the information from its central accounting and financial reporting system, the program agency, and BPD, and publish the information annually in one of the issues of the quarterly Treasury Bulletin. The Treasury Bulletin may be found at <http://www.fms.treas.gov/bulletin/index.htm>.

It is the responsibility of the program agency for the particular government investment accounts under this Operating Circular to produce and submit to FMS when requested, for inclusion in the annual reports published in the Treasury Bulletin, information on the expected conditions and operations of these accounts during the specified number of years in the future. This responsibility is the program agency's because the program agency is in a better position than the Department to estimate what the receipts and disbursements of the federal program are likely to be.

Chapter 9000

Miscellaneous provisions

Section 9010 Revisions to this Operating Circular.

This Operating Circular may be revised from time to time by the Department. The text of this Operating Circular found at **[website to be determined]** will be updated to reflect any revision to the Operating Circular on the effective date of that revision. When a program agency submits to BPD, after the effective date of a revision to this Operating Circular, an instruction that BPD invest any moneys in, or redeem any investments held by, a government investment account, that program agency is deemed to agree to all of the provisions of that revision to this Operating Circular.

Section 9015 Contacts.

General inquiries about this Operating Circular should be addressed to:

Office of Investment Fund Administration
Fiscal Service
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220
Telephone: (202) 622-0570
Facsimile: (202) 622-0627

Inquiries and requests for guidance concerning the establishment of government investment accounts and accounting responsibilities should be directed to:

Financial Management Service
Budget Reports Division
3700 East-West Highway
Hyattsville, MD 20782
Telephone: (202) 874-9870

Inquiries concerning the procedures for investment and redemption of Treasury specials, also known as “government account series (GAS) securities” should be directed to:

Bureau of the Public Debt
Division of Federal Investments
P.O. Box 1328
Parkersburg, WV 26106
Telephone: (304) 480-5111

EFFECTIVE DATE: November 15, 2002

EXHIBIT 1
"FUND INFORMATION" FORM

Fund Information Form

Account Fund Symbol (AFS):			
Agency Location Code (ALC):			
Chief Financial Officer (CFO) Address and Telephone #:			
Contact Name:	E-mail Address	Telephone #:	Fax #:
1.			
2.			
3.			
4.			
5.			
Certifying Officer's Signature:			

Return this form to:

Fax (304) 480-5212

Bureau of the Public Debt
Office of Public Debt Accounting
Federal Investments Branch
P.O. Box 1328
Parkersburg, WV 26106-1328

EXHIBIT 2

"INVESTMENT/REDEMPTION INSTRUCTION" FORM

REQUEST FOR INVESTMENT/REDEMPTION

Bureau of the Public Debt
Office of Public Debt Accounting
Division of Federal Investments
Federal Investments Branch
Room 114-HB
Parkersburg, WV 26106-1328

Phone: (304) 480-5151
Fax #: (304) 480-5212

FIB USE ONLY

Memo #: _____
Entered by: _____
Reviewed by: _____
Released by: _____

☐ INVESTMENT

☐ REDEMPTION

FUND NAME: _____

ACCOUNT FUND SYMBOL (AFS): _____

TRANSACTION DATE: _____

☐ ONE-DAY CERTIFICATES

MATURITY DATE: _____

For Specific Identification Redemptions ONLY

Purchase Date/Memo #

☐ BILLS

MATURITY DATE: _____

_____/____/____

☐ NOTES COUPON RATE: _____%

MATURITY DATE: _____

_____/____/____

☐ BONDS COUPON RATE: _____%

MATURITY DATE: _____

_____/____/____

☐ ZERO COUPON BOND

MATURITY DATE: _____

_____/____/____

☐ SPECIAL ISSUE SECURITIES

AVAILABLE FOR INVESTMENT: _____

NEED FROM REDEMPTION: _____

FACE (Invest or Redeem): _____

CONTACT: _____ PHONE: _____ FAX: _____

I certify that the items listed above are correct and amounts to be invested are credited to the General Account of the Treasury and available for use by Treasury.

(Authorized Signature)

APPENDIX A

SHORT DESCRIPTION OF THE FEDINVEST INTERNET APPLICATION

FedInvest is a new federal investment Internet application designed, developed, and built by the Bureau of the Public Debt to be used by program agencies for government investment accounts. The goal of FedInvest is to provide program agency fund managers with a useful tool for managing their federal investments.

Specifically, FedInvest allows program agencies to buy and sell market-based Treasury special bills, notes, and bonds, as well as overnight certificates of indebtedness via the Internet. This process is advantageous by giving the program agency more control of the buy and sell process while eliminating the need to submit a written request by facsimile transmission. In addition, FedInvest will allow program agencies to manage federal investment account portfolios by viewing account holdings, recent account transactions, Statements of Account, current and historical pricing information, and a list of available securities for purchase or redemption.

FedInvest is being developed in a multi-phase approach. The first release of FedInvest is intended to allow program agencies for government investment accounts to purchase market-based Treasury specials (except zero-coupon bonds). Access to FedInvest is currently granted to those program agencies that purchase only these securities. Customer enrollment is being phased in incrementally. Future releases of FedInvest will provide more functionality, and thus will allow more program agencies to use the system to conduct their investment transactions with BPD. Further information on FedInvest may be found at www.FedInvest.gov. Prior to logging into FedInvest to conduct investment or redemption activity, program agencies must obtain an identification number and password from BPD. Instructions for obtaining access are provided on the FedInvest home page.

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APPENDIX B

PURCHASE PRICES AND YIELDS ON INVESTMENTS
AND
SALES PRICES ON REDEMPTIONS

Market-based Treasury special **bills**:

Purchase price: The discount rate used to calculate the purchase price for a market-based Treasury special bill mirroring the particular marketable Treasury bill specified by the program agency in an investment instruction will be the average of the prevailing bid and offered bank discount rates on the specified marketable Treasury bill on the day the investment instruction is received by BPD, as reported to the Department by the Federal Reserve Bank of New York. The prevailing bid and offered bank discount rates will be based on a survey of Treasury securities dealers taken by the Federal Reserve Bank of New York between approximately 11:15 and 11:45 a.m. each business day.

Sales price
for redemption
before maturity: The discount rate used to calculate the redemption price for the particular market-based Treasury special bill specified by the program agency in a redemption instruction will be the prevailing bank discount bid rate on the marketable Treasury bill corresponding to the Treasury special bill on the day the redemption instruction is received by BPD, as reported to the Department by the Federal Reserve Bank of New York.

Market-based Treasury special **fixed-principal notes and bonds**:

Purchase price: The purchase price for a market-based Treasury special fixed-principal note or bond mirroring the particular marketable Treasury fixed-principal note or bond specified by the program agency in an investment instruction will be the average of the prevailing bid and offered prices for the specified marketable Treasury fixed-principal note or bond on the day the investment instruction is received by BPD, as reported to the Department by the Federal Reserve Bank of New York. The prevailing bid and offered prices will be based on a survey of Treasury securities dealers taken by the Federal Reserve Bank of New York between approximately 11:15 and 11:45 a.m. each business day.

Sales price for redemption before maturity: The redemption price for the particular market-based Treasury special fixed-principal note or bond specified by the program agency in a redemption instruction will be the prevailing bid price for the marketable Treasury fixed-principal note or bond corresponding to the specified Treasury special note or bond on the day the redemption instruction is received by BPD, as reported to the Department by the Federal Reserve Bank of New York.

Market-based Treasury special **inflation-indexed notes and bonds:**

Purchase price: The purchase price for a market-based Treasury special inflation-indexed note or bond mirroring the particular marketable Treasury inflation-indexed note or bond specified by the program agency in an investment instruction will be the average of prevailing bid and offered prices for the specified marketable Treasury inflation-indexed note or bond on the day the investment instruction is received by BPD, as reported to the Department by the Federal Reserve Bank of New York. The prevailing bid and offered prices will be based on a survey of Treasury securities dealers taken by the Federal Reserve Bank of New York between approximately 11:15 and 11:45 a.m. each business day. Inflation-indexed notes and bonds shall have their principal adjusted by their daily reference index number, as published by BPD.

Sales price for redemption before maturity: The redemption price for the particular market-based Treasury special inflation-indexed note or bond specified by the program agency in a redemption instruction will be the prevailing bid price for the marketable Treasury inflation-indexed note or bond corresponding to the specified Treasury special inflation-indexed note or bond on the day the redemption instruction is received by BPD, as reported to the Department by the Federal Reserve Bank of New York.

Market-based Treasury special **overnight certificates of indebtedness:**

Interest rate: The interest rate on a market-based Treasury special overnight certificate of indebtedness will be the market rate for overnight repurchase agreements for obligations of the United States, as determined and reported daily to the Department by the Federal Reserve Bank of New York.⁸

⁸ The formula for setting the interest rate on Treasury special overnight certificates of indebtedness is currently being re-evaluated by the Department.

Market-based Treasury special **zero-coupon bonds**:

Purchase price
and sales price
for redemption
before maturity:

The purchase price or redemption price for a market-based Treasury special zero-coupon bond (or permitted portion thereof) will be calculated by the Department using the following formula:

$$P = \frac{F}{\left(1 + \frac{ri}{2s}\right) \left(1 + \frac{i}{2}\right)^n}$$

where:

P = Price

F = Face value of the amount being purchased or redeemed

i = Discount rate as determined below

n = Number of full semiannual periods from the purchase date or redemption date (as the case may be) to the maturity date

r = Number of days from the purchase date or redemption date (as the case may be) to the next semi-annual date, or zero if the purchase date or redemption date is on a semi-annual date

s = Number of days in the semiannual period that ends on the semi-annual date following the purchase date or redemption date (as the case may be).

Discount rate
for purchases:

The discount rate used to calculate the purchase price for a market-based Treasury special zero-coupon bond mirroring the particular marketable Treasury STRIPS principal or interest component of a marketable Treasury bond specified by the program agency in an investment instruction shall be determined by Treasury based on the mean of the prevailing market bid and ask yields on the specified marketable Treasury STRIPS principal or interest component as of 12:00 noon (or as soon as possible, thereafter) on the purchase date of the non-marketable Treasury zero-coupon bond. In determining the prevailing market yields, the Department will survey available quotations on the available marketable Treasury STRIPS components from market sources, including financial information services and primary dealers active in the Treasury STRIPS

market.

Discount rate for redemptions before maturity: The discount rate used to calculate the redemption price for the particular special-issue non-marketable Treasury zero-coupon bond specified by the program agency in a redemption instruction shall be determined by Treasury based on the prevailing market bid yield on the same marketable Treasury STRIPS principal or interest component as was used to determine the original purchase price, as of 12:00 noon (or as soon as possible, thereafter) on the date of redemption of the non-marketable Treasury zero-coupon bond. In determining the prevailing market bid yields, the Department will survey available quotations on the appropriate marketable Treasury STRIPS components from market sources, including financial information services and primary dealers active in the Treasury STRIPS market.